

## High-growth company with continuous revenue expansion, entering strong upswing on JPX–Nikkei Mid and Small Cap Index Inclusion

### Summary

#### ■ Japan's leading on-site urethane foam insulation installer with strong growth

Nippon Aqua Co., Ltd. (hereinafter, "the Company") is a high-growth enterprise listed on the Prime Market of the Tokyo Stock Exchange. Guided by its management philosophy—"Contribution to society through the creation of living environments that are friendly to people and the earth"—the Company leverages insulation and waterproofing technologies to drive energy efficiency and support a sustainable society. It holds the leading domestic share in on-site urethane foam insulation installation and operates its business through three key divisions: Single-family homes, Buildings, and Waterproofing. Since its listing in 2013, the Company has delivered continuous revenue growth, achieving a strong CAGR of 10.8%.

#### ■ H1 2025/12 Earnings results

In H1 of FY2025/12, the Company pursued share expansion in the Single-family homes division through pricing strategies and adjusted the sales mix in the Buildings division, while keeping the SG&A ratio at 15.0% (-0.7 ppt YoY) to further strengthen its profit structure. As a result, net sales rose to JPY 15,983 mn (+21.9% YoY), operating profit to JPY 1,091 mn (+28.5%), ordinary profit to JPY 1,102 mn (+26.8%), and interim net profit to JPY 748 mn (+29.0%), marking significant increases in both revenue and profit.

#### ■ 2025/12 Full-year forecast

The Company's full-year forecast for FY2025/12 remains unchanged from the full-year forecast announced in May for FY2025/12. The Company expects net sales of JPY 34,360 mn (+13.5% YoY), operating profit of JPY 3,004 mn (+16.6% YoY), ordinary profit of JPY 3,062 mn (+17.6% YoY), and net profit of JPY 2,067 mn (+12.4% YoY).

#### ■ Share price insights

Since the start of 2025, the Company's share price has advanced steadily on the back of solid earnings, and has consistently outperformed the TOPIX following the Q1 results. The Company's performance stands out, reflecting strong fundamentals amongst a broader market upswing. Furthermore, its recent inclusion as a constituent of the JPX–Nikkei Mid and Small Cap Index for the fiscal year 2025 for the period from 29 August 2025 to 28 August 2026 underscores market recognition of its financial soundness and growth potential. The selection is also expected to generate incremental demand from passive funds, providing an additional tailwind from a supply and demand perspective.

FY	Net sales (JPY mn)	YoY (%)	Operating profit (JPY mn)	YoY (%)	Ordinary profit (JPY mn)	YoY (%)	Net profit (JPY mn)	YoY (%)	EPS (JPY)	DPS (JPY)
2022/12	25,670	--	2,329	--	2,360	--	1,549	--	47.99	24.00
2023/12	28,342	10.4%	2,882	23.7%	2,917	23.6%	2,004	29.4%	63.83	32.00
2024/12	30,265	6.8%	2,576	-10.6%	2,604	-10.7%	1,840	-8.2%	58.55	34.00
2025/12 (CE)	34,360	13.5%	3,004	16.6%	3,062	17.6%	2,067	12.4%		35.00
2024/12 Q2	13,112	--	849	--	868	--	579	--	18.46	--
2025/12 Q2	15,983	21.9%	1,091	28.5%	1,102	26.8%	748	29.0%	23.44	--

Source: Compiled by SIR from SPEEDA data. Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

## Q2 Follow-up



### Focus Points:

The Company's strength lies in its leading domestic share in on-site urethane foam insulation materials and its fully integrated system covering everything from raw material development to installation and recycling. Since its listing, the Company has delivered continuous revenue growth and is well-positioned for further growth by addressing evolving social needs.

### Key Indicators

Share price (9/1)	926
YH (24/2/28)	1,104
YL (25/4/7)	650
10YH (23/9/14)	1,125
10YL (16/2/22)	253
Shrs out. (mn shrs)	34.76
Mkt cap (JPY bn)	32.19
EV (JPY bn)	31.85
Equity ratio (act)	43.8%
26/12 P/E (CE)	14.07x
25/12 P/B (act)	2.8x
25/12 ROE (act)	18.5%
26/12 DY (CE)	3.8%

### Share price trend (1 year)



Source: TradingView

### Team Coverage

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## H1 FY2025/12 Earnings Results

### ■ Summary

The Company's H1 results for FY2025/12 (January–June) showed strong year-on-year growth, with net sales of JPY 15,983 mn (+21.9% YoY), operating profit of JPY 1,091 mn (+28.5% YoY), ordinary profit of JPY 1,102 mn (+26.8% YoY), and interim net profit of JPY 748 mn (+29.0% YoY).

The gross profit margin came in at 21.9%, almost unchanged from the same period last year, but tighter control of SG&A ratio at 15.0% (an improvement of 0.7 points year-on-year) contributed to margin improvement. This was underpinned by rising demand for insulation installation as well as effective pricing strategies that offset cost increases. On the financial position, total assets amounted to JPY 23,276 mn (-3.3% compared to the end of the previous fiscal year), while net assets amounted to JPY 10,208 mn (-4.6%). The equity ratio remained at a stable level of 43.9%.

### ■ Earnings trend by division

#### (Single-family homes division)

The number of construction units increased 18.8% YoY, driven by strengthened proposal capabilities through the combination of airtightness measurement services and higher orders from major builders and new large-scale customers. Net sales rose sharply to JPY 7,548 mn (+20.5% YoY). The introduction of the new service also lifted the unit price by roughly 10% YoY, contributing to differentiation. Meanwhile, the impact of rush demand due to the reduction of the 4<sup>th</sup> special exception (simplification of building inspections for small-scale buildings) was limited, with growth primarily underpinned by structural demand expansion.

#### (Buildings division)

The Company steadily acquired new projects across semiconductor plants, data centers, commercial facilities, and high-rise condominiums, recording net sales of JPY 4,815 mn (+20.6% YoY). While some projects experienced delays due to rising construction costs, profitability improved as the unit price rose on the back of acquisition of additional work and flexible responses to specification changes. A new Construction Project Management Department was established to streamline the entire process from order intake to construction and handover, contributing to faster payment collection. In addition, the sales division has expanded into projects previously beyond reach, laying the foundation for more meticulous and comprehensive business execution than before.

#### (Waterproofing division)

Net sales in the Waterproofing Division surged to JPY 625 mn (+139.5% YoY), backed by strong demand for the renovation of aging buildings and increasing market penetration of proprietary methods such as the FUKUGEN Construction Method, a multifunctional waterproofing and thermal insulation technique, and the AQUA HAJIKUN waterproofing method. The Company estimates the potential target market size of waterproofing at JPY 600 bn, with limited competition and no other player capable of delivering a uniform nationwide service. This positions the Division as a key growth driver with significant upside potential.

#### (Sales of urethane raw materials division)

Sales of urethane raw materials came in at JPY 884 mn (-4.0% YoY), marking the only division to record a decline. The decrease reflected fluctuations in sales environment and demand adjustments, but the impact on the overall business remained limited.

### (Other product sales)

Sales of auxiliary supplies and machinery remained firm, with net sales reaching JPY 2,108 mn (+25.9% YoY). This drove an increase in the share of recurring revenue, underpinning the company's stable earnings base.

### Earnings Results by Division

	Q2 FY2024/12		Q2 FY2025/12		YoY (%)	FY2024/12		FY2025/12 (CE)		YoY (%)
	Net Sales (JPY mn)	Composition ratio	Net Sales (JPY mn)	Composition ratio		Net Sales (JPY mn)	Composition ratio	Net Sales (JPY mn)	Composition ratio	
Single-family homes division	6,261	47.8%	7,548	47.2%	20.5%	13,704	45.3%	14,435	42.0%	5.3%
Buildings division	3,993	30.5%	4,815	30.1%	20.6%	9,499	31.4%	11,881	34.6%	25.1%
Waterproofing division	261	2.0%	625	3.9%	139.5%	719	2.4%	1,500	4.4%	108.3%
Sales of urethane raw materials division	921	7.0%	884	5.5%	-4.0%	2,226	7.4%	2,398	7.0%	7.7%
Other product sales	1,674	12.8%	2,108	13.2%	25.9%	4,115	13.6%	4,145	12.1%	0.7%
Total Net Sales	13,112	100.0%	15,983	100.0%	21.9%	30,265	100.0%	34,360	100.0%	13.5%
Operating Profit	849	6.4%	1,091	6.8%	28.5%	2,575	8.5%	3,004	8.7%	16.7%
Ordinary Profit	868	6.6%	1,102	6.9%	26.8%	2,604	8.6%	3,062	8.9%	17.6%
Net Profit	579	4.4%	748	4.7%	29.0%	1,839	6.1%	2,067	6.0%	12.4%

Source: Compiled by SIR from the Company's financial results materials

Note: Figures may differ from the Company's materials due to differences in SIR's financial data processing and the Company's reporting standards.

## FY2025/12 Full-Year Earnings Forecast

### ■ Summary

The Company's full-year forecast for FY2025/12 remains unchanged from the full-year forecast announced in May for FY2025/12. The Company expects net sales of JPY 34,360 mn (+13.5% YoY), operating profit of JPY 3,004 mn (+16.7% YoY), ordinary profit of JPY 3,062 mn (+17.6% YoY), and net profit of JPY 2,067 mn (+12.4% YoY).

By net sales by division, the core Single-family homes Division posted sales of JPY 14,435mn (+5.3% YoY), delivering steady growth. The Buildings Division, supported by increasing condominium construction and other projects, recorded JPY 11,881mn (+25.1% YoY), marking a significant gain. Meanwhile, the Waterproofing Division doubled sales to JPY 1,500mn (+108.3% YoY), driven by rising demand for non-residential renovation projects and greater recognition of the AQUA HAIKUN waterproofing solution.

### ■ Progress against guidance

As of Q2, progress toward full-year guidance stood at 46.5% for net sales and 36.0% for ordinary profit. Historically, the Company's average Q2 progress rates have been 44.8% for sales and 35.1% for ordinary profit, showing that earnings are typically concentrated in the second half of the year. Against this backdrop, current progress indicates that the Company is broadly on track with expectations.

### Progress Rate of Net Sales in H1 2026/3

	Net Sales				
	FY2021/12 (JPY mn)	FY2022/12 (JPY mn)	FY2023/12 (JPY mn)	FY2024/12 (JPY mn)	FY2025/12 (JPY mn)
Results for H1	10,712	11,742	13,158	13,112	15,983
Progress Rate	45.6%	44.3%	45.3%	42.3%	46.5%
Initial Full-Year Forecast	23,513	26,490	29,021	31,005	34,360
Full-Year Results	23,903	25,670	28,341	30,265	NA
Results / Forecast	101.7%	96.9%	97.7%	97.6%	NA

Note: Five-year average progress rate: 44.8%; Four-year average results / forecast: 98.5%

Source: Compiled by SIR from the Company's financial results materials

### Progress Rate of Ordinary Profit in H1 2026/3

	Ordinary Profit				
	FY2021/12 (JPY mn)	FY2022/12 (JPY mn)	FY2023/12 (JPY mn)	FY2024/12 (JPY mn)	FY2025/12 (JPY mn)
Results for H1	335	936	1,400	868	1,102
Progress Rate	16.7%	44.1%	50.9%	28.0%	36.0%
Initial Full-Year Forecast	2,003	2,121	2,750	3,100	3,062
Full-Year Results	1,429	2,359	2,917	2,604	NA
Results / Forecast	71.3%	111.2%	106.1%	84.0%	NA

Note: Five-year average progress rate: 35.1%; Four-year average results / forecast: 93.2%

Source: Compiled by SIR from the Company's financial results materials

## Topics

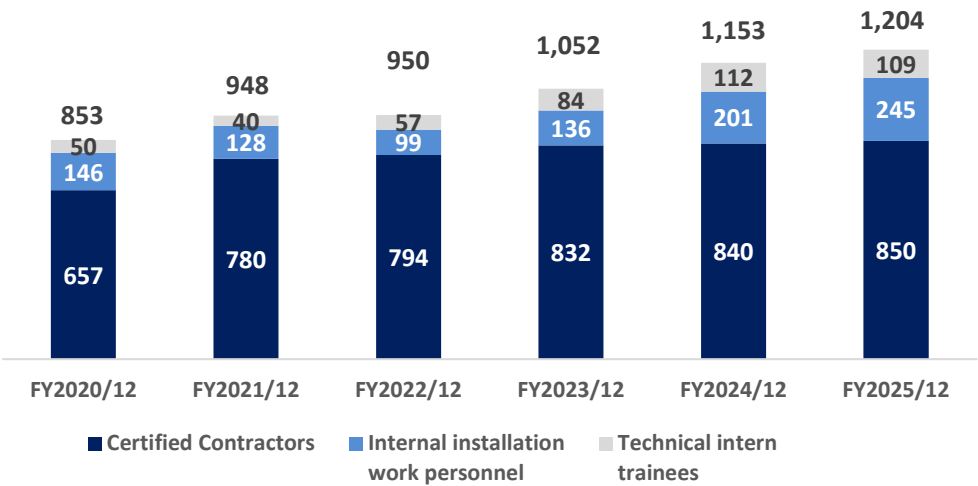
### ■ Newly Selected for Inclusion in the JPX–Nikkei Mid and Small Cap Index

The Company has been newly selected as a constituent of the JPX–Nikkei Mid and Small Cap Index from August 29, 2025 to August 28, 2026. The index selects 200 companies which effectively utilize capital and engage in management practices that are mindful of investor interests, incorporating not only quantitative metrics such as ROE and cumulative operating profit, but also qualitative criteria including the ratio of independent outside directors, appointment of female board members, and the disclosure of financial results in English. Key factors behind the Company's selection included steady growth in ROE and operation profit, as well as enhancements to corporate governance and proactive disclosure practices. The efforts encompassed appointing multiple female directors, maintaining a board structure where independent outside directors form the majority, and ensuring the simultaneous release of key information in English. The inclusion reflects market recognition of the Company as an attractive investment. Building on this, the Company aims to further enhance corporate value through transparent and sound management practices.

### ■ Further enhancement of construction capabilities

As of Q2, the Company had an estimated 850 certified contractors (+10 QoQ), 245 internal installation work personnel (+44 QoQ), and 109 technical intern trainees (-3 QoQ), bringing the total workforce to approximately 1,204 (+51 QoQ). Since 2023, the Company has been working to increase the number of certified contractor employees by 100 annually, and the addition of 51 in 1H indicates steady progress in meeting the goal. With the credibility of a TSE Prime listing and a sound labour environment, including a full five-day work week, the Company continues to strive for further enhancement of its construction capabilities.

Nippon Aqua Construction Capability



Source: Compiled by SIR from the Company's IR materials and interviews with the Company.  
Note: The number of certified contractors and total total workforce for Q2 FY2025/12 are estimates.

## Share Price Insights

### ■ Share price in gradual uptrend, reflecting earnings strength

Since the start of 2025, the share price has shown a gradual upward trend, reflecting strong earnings in recent months. Against a backdrop of a firm equity market and year-to-date gains in TOPIX, the Company's share price has likewise remained strong. Notably, the stock has outperformed TOPIX for much of the period since the release of Q1 FY2025/12 results, suggesting that market recognition is increasingly reflecting the Company's solid business performance.

#### 【Nippon Aqua : Financial results announcement】

- February 7, 2025 Full-year FY2024/12
- May 9, 2025 Q1 FY2025/12
- August 8, 2025 Q2 FY2025/12

### Year-to-Date Performance of the Company's Stock and TOPIX



Source: Compiled by SIR from SPEEDA data

### ■ Inclusion in the JPX-Nikkei Mid and Small Cap Index as an additional tailwind

As noted earlier, the Company has been newly selected as a constituent of the JPX-Nikkei Mid and Small Cap Index for the fiscal year 2025 for the period from August 29, 2025 to August 28, 2026. The index comprises small and mid-cap companies with strong profitability and financial soundness, and that meet defined standards for governance and growth potential. Accordingly, the Company's inclusion underscores market recognition of its solid business foundation and financial profile, and offers reassurance to investors.

In the near term, passive funds tracking the index are expected to generate mechanical buying demand. ETFs and investment trusts linked to the JPX–Nikkei Mid and Small Cap Index are required to allocate shares upon a new inclusion, creating upward pressure through supply demand dynamics. Index inclusion is also likely to lift trading volume and liquidity, which in turn could broaden the investor base and enhance share price stability.

From a medium to long-term perspective, index inclusion may lead to an improved assessment of corporate value. For institutional investors, index inclusion often serves as a form of quality assurance, raising the Company's profile as an investment target. This, in turn, is expected to draw long-term capital and overseas investors that were previously difficult to access. In addition, index inclusion may support a valuation re-rating, driving PBR and PER to higher levels.

That said, such positive effects presuppose sustained earnings growth and the maintenance of financial soundness. Index inclusion only reflects the Company's current standing, with weaker performance risking exclusion. Nevertheless, the business environment remains supportive, with structural tailwinds from growing demand for energy-efficient homes and eco-conscious building materials. In addition, ongoing initiatives to improve construction efficiency and reinforce sales channels have started to show tangible results. Taken together, the Company appears well positioned to achieve continued earnings growth and further enhancement of corporate value over the medium to long term.

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